

Summary of 3rd Quarter Results for FY Ending March 2013

February 18, 2013

SEGA SAMMY HOLDINGS INC.

Results Highlights

Year-on-year, sales and profits decreased.

The Company has made downward revisions to the earnings forecast for the full-year mainly due to the sales period of mainstay titles in the pachislot and pachinko machines business being postponed to the next fiscal year as announced on February 5, 2013.

Major Business Measures

As announced on January 4, 2013, the Group won the public bid for the development plan of “Centum City,” a cutting-edge urban complex city prepared with functions for information, communication, video, entertainment and international business, held by Busan Metropolitan City, South Korea.

We will accumulate the know-how of development and operations of a resort complex through this project.

As announced on January 25, 2013, SEGA Corporation, a subsidiary of the Company, acquired all shares of THQ Canada Inc., and some IPs owned by THQ Inc., a parent company of THQ Canada.

THQ Canada has developed prominent franchise titles for PCs, including the “**Company of Heroes**” series which has sold more than 4 million copies worldwide, under the brand of Relic Entertainment Studio, and we will aim to enrich title lineups by reinforcing development capabilities of PC games and compatibility with online games in the U.S. and European regions through this acquisition.

Consolidated Income Statements (Summary)

Net Sales: **207.0 billion yen** (Y-o-Y Change: **-33.6%**)

Operating Income: **7.0 billion yen** (Y-o-Y Change: **-89.1%**)

Ordinary Income: **8.4 billion yen** (Y-o-Y Change: **-86.8%**)

Quarterly Net Income: **3.0 billion yen** (Y-o-Y Change: **-91.3%**)

Sales in the “Other” segment increased year-on-year due to the conversion of Phoenix Resort K.K. into a wholly owned subsidiary.

Extraordinary gain such as gain on sales of investment securities of approximately **2.2 billion yen** was posted, while on the other hand, there was extraordinary loss of around **3.9 billion yen** such as impairment loss of goodwill of the subsidiary in the U.S. and loss on liquidation of affiliated companies.

■Costs and Expenses

R&D expense/content production expense, cap-ex and advertising expense were lower in comparison to forecasts.

R&D expense and cap-ex were almost the same level year-on-year.

Depreciation increased by 15% year-on-year to **12.3 billion yen** due to factors such as the start of operations of a new factory in the pachislot and pachinko machines business.

In addition, advertising expense decreased significantly year-on-year to **9.2 billion yen** given the sales schedule of some titles was revised in the pachislot and pachinko machines business.

Depreciation is about **3.4 billion yen** lower than usual due to the change in accounting method as of this fiscal year

■Consolidated Balance Sheet (Summary)

Current assets decreased by **56.3 billion yen** due to the decrease of accounts receivable and securities.

Fixed assets increased by **16.7 billion yen** due to Sammy's construction of a new plant, etc.

As a result, total assets as of the end of the third quarter decreased by **39.6 billion yen** from the end of the previous fiscal year to **457.8 billion yen**.

Total assets were down by **22.3 billion yen** to **274.0 billion yen**.

Equity ratio remains at a sound level standing at **59.0%** as of the end of the third quarter.

■Pachislot and Pachinko Machines

Net Sales: **74.0 billion yen** (Y-o-Y Change: **-58.3%**)

Operating Income: **7.7 billion yen** (Y-o-Y Change: **-88.6%**)

As for the pachislot business, unit sales fell by approximately **90,000 units** year-on-year to approximately **130,000 units** despite the solid sales of “**Pachislot GHOST IN THE SHELL -S.A.C.-**” because the sales schedule of some titles was revised.

For the pachinko business, unit sales fell by approximately **190,000 units** year-on-year to approximately **89,000 units** since the market environment revolved around major titles amid absence of the Company's plan to sell major titles and mainstay titles.

Regarding the full-year forecast for FY 2013, sales of some titles, including pachislot mainstay title “**Hokuto no Ken**” which was planned for release this fiscal year, will be postponed to the next fiscal year.

As a result, the Company revised downward expected unit sales for the full-year to **214,000 units** for pachislot and **213,000 units** for pachinko.

For the fourth quarter, the Company released Rodeo brand “**Pachislot Sakigake Otokojuku**” in the pachislot business and plans to sell several other titles as well.

In addition, sales of “**Pachinko CR Hokuto No Ken 5 Hasha**” are strong in the pachinko business.

■Amusement Machine Sales

Net Sales: **30.6 billion yen** (Y-o-Y Change: **-10.0%**)

Operating Income: **2.6 million yen** (Y-o-Y Change: **-48.0%**)

Sales of CVT KITs such as the “**WORLD CLUB Champion Football**” series and “**SENGOKU-TAISEN**” were strong despite the absence of sales of major titles.

Distribution of earnings from the revenue sharing model remained solid, and accounted for about 12% of domestic machine and prize category net sales.

For the full-year, earnings contribution from the revenue sharing model is expected continuously, as well as from sales of CVT KITs such as “**SEGA NETWORK MAHJONG MJ5 EVOLUTION.**”

■Amusement Center Operations

Net Sales: **32.0 billion yen** (Y-o-Y Change: **-5.6%**)

Operating Income: **900 million yen** (Y-o-Y Change: **-25.0%**)

SEGA domestic same-store sales were weak at 93.7% year-on-year, mainly due to the sluggish performance in the prize category.

There were **237** domestic facilities at the end of the third quarter following one opening and five closures.

■Consumer Business

Net Sales: **60.3 billion yen** (Y-o-Y Change: **-5.0%**)

Operating Income: **500 million yen** (Operating loss of **5.5 billion yen** in the same period the previous year)

In the packaged game software business, overseas sales of “**Sonic & All-Stars Racing Transformed**” and “**Football Manager 2013**” and domestic sales of new mainstay title “**Ryu ga Gotoku 5: Yume, Kanaeshimono**” were solid, while the Company reduced the number of titles as a measure of structural reform being implemented since the end of the previous fiscal year.

For the full-year, the launch of mainstay title “**Aliens™: Colonial Marines**” is planned.

In addition, in the digital games business, which the Company positions as a growth area, “**Phantasy Star Online 2**” continues to receive strong acclaim and achieved a total of 1.7 million registered users as of the end of December 2012. “**Dragon Coins**” which launched in December is off to a good start with 500,000 downloads.

For the full-year, the lineup will be reinforced by launching the PlayStation® Vita version of “**Phantasy Star Online 2**” as well as introducing new titles such as “**Demon Tribe**” for iOS.

However, in the digital games business, there are issues remained for achieving the full-year goal for the digital games business due to the delayed sales of several titles compared to the initial forecasts.

In the toy sales business, Jewelpet “**Jewelpod Diamond**,” a character jointly developed with Sanrio Co., Ltd, was the most popular toy for young girls during a Christmas sales campaign in 2012 and realized very solid sales.

In the animation business, the distribution of earnings from the movie “**ANPANMAN: Revive Banana Island!**” was solid, and for the full-year, contribution of earnings from “**The Rising Star**,” the Indian remake of Japanese anime series “**Star of the Giants**” is expected.

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